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## Mexico

### Agricultural Situation

### Weekly Highlights & Hot Bites, Issue #20

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**Report Highlights:**

- \*FOOD SALES THROUGH SUPERMARKETS INCREASING
  - \*IMPLEMENTATION OF U.S. BIO-TERRORISM LAW DOES NOT AFFECT MEXICAN COMPANIES
  - \*DISPUTE TO ALLOW TOTAL ACCESS FOR MEXICAN HASS AVOCADOS ENDS
  - \*DRY EDIBLE BEAN PRODUCTION SHOULD BE MOVED TO MORE PROFITABLE CROPS
  - \*INCREASE IN DOMESTIC PRICES OF MEAT AND POULTRY FORESEEN
  - \*U.S. MEAT PRODUCERS TO LOWER THEIR PRICES IN MEXICO
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  - \*A REQUEST FOR SIMILAR AGRICULTURAL POLICIES
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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

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### **FOOD SALES THROUGH SUPERMARKETS INCREASING**

In 2003, 19.3 percent of Mexican food sales went through supermarket members of ANTAD (the Mexican retail association), up 6.9 percent from 2002. In addition, the Wal-Mex group accounted for approximately 15 percent of food sales (Note: Wal-Mex has not been a member of ANTAD since Fall 2002). Given that in the United States, 80 percent of food sales go through supermarkets and that such sales are soaring in other parts of Latin America, the outlook is good for increasing sales. ANTAD believes that two factors are holding back this growth: (1) illegal sales, which represent about 12 percent of gross domestic product; and (2) poor market organization of Mexican growers. Total food sales (fruit, vegetable, milk and meat products) through ANTAD supermarkets were 140.5 billion pesos (US\$12.8 billion) in 2003. (Source: *El Financiero*, 5/17/04)

### **IMPLEMENTATION OF U.S. BIO-TERRORISM LAW DOES NOT AFFECT MEXICAN COMPANIES**

Previous to the expected strengthening of measures requested for exporters supplying commodities to the U.S. market, Secretary of Economy Fernando Canales said that most Mexican companies devoted to the export or transport of food to the United States were not affected by increased costs or the halting of shipments as a result of the implementation of the U.S. Bio-terrorism Law in late December. (Source: *La Jornada*, 5/19/04)

### **DISPUTE TO ALLOW TOTAL ACCESS FOR MEXICAN HASS AVOCADOS ENDS**

Next Monday, the United States Department of Agriculture (USDA) will announce, in the Federal Register, the marketing opening in the entire U.S. territory for Mexican Hass avocado exports. With this resolution, "The twenty-four year ban to impede the access of Mexican avocados to the fifty U.S. states would come to an end," said Secretary of Agriculture Javier Usabiaga. In recent years the United States has limited entry of Mexican avocados to 32 states during a six-month market window, from October through April, Usabiaga added. Last season, Mexican Hass avocado exports showed a 42.4 percent increase over the corresponding period of 2003 when nearly 43,000 MT were shipped to the United States. (Sources: *La Jornada*, 5/22/04, and *El Financiero*, 5/24/04)

### **DRY EDIBLE BEAN PRODUCTION SHOULD BE MOVED TO MORE PROFITABLE CROPS**

The Under Secretary of Agriculture, Francisco Lopez-Tostado, stated the GOM proposed to dry bean growers a change of cultivation to other more profitable crops. The crisis of competitiveness and high rate of damage that experimental dry bean production caused are

the main factors behind the recommendation as well as low yields, high carryovers without required quality and decreasing per-capita consumption in the last decade. The objective is that more than 200,000 hectares planted in dry beans could be used for other crops under the governmental program to re-order planting and commercialization Zacatecas, Durango and San Luis Potosi. Among the alternative crops in this program are corn, oat and sorghum as well as grass and malted barley. (Source: *Excelsior*, 5/21/04)

#### **INCREASE IN DOMESTIC PRICES OF MEAT AND POULTRY FORESEEN**

According to a local newspaper, prices to consumers of products derived from poultry, pork and beef may suffer an increase of between 6 to 15 percent if over-quotas to import yellow corn are not authorized by the Government of Mexico. Mexican livestock producers feed their stock principally with corn produced domestically and only import when domestic supplies are insufficient to cover demand. (Source: *Reforma*, 5/25/04)

#### **U.S. MEAT PRODUCERS TO LOWER THEIR PRICES IN MEXICO**

According to a local newspaper, the closing of the Japanese and Korean borders to U.S. beef has turned U.S. producers' sights on Mexico with an aggressive plan and strategy to reduce prices in the larger stores such as Costco and other supermarket chains. Japan and Korea are the two principal markets for U.S. producers where both of these countries represent 65 percent of total export sales. In comparison, Mexico represents only 6 percent but because of the closure of the Japanese and Korean borders, U.S. producers will turn to Mexico to cover the slack as much as possible. (Sources: *Milenio*, *El Universal*, and *Finanzas*, 5/25/04)

#### **U.N. FOOD AGENCY REPORTS BIOTECH CROPS DO NOT HAVE AN ADVERSE IMPACT ON HUMAN HEALTH**

According to the U.N. food agency on Monday May 18, 2004, in a report on how biotechnology can help feed the world's hungry, genetically modified (GM) crops are helping poor farmers and pose no adverse health or environmental effects so far. The U.N. Food and Agriculture Organization called for greater government regulation and monitoring of genetically modified, or transgenic, products to ensure that they are safely used and said more research is needed on their long-term health and environmental impacts. In a positive report likely to fuel the biotech debate, the agency said the biggest problem with GM technology is that it has not spread fast enough to small farmers and has focused on crops mostly of use to big commercial interests. U.N. officials stressed that GM products were only one tool to help poor farmers, who still need access to fair markets, credit and decent land. However, they said transgenic technology has great potential for increasing crop yields, reducing costs to customers and improving the nutritional value of foods. "FAO believes that biotechnology, including genetic engineering, can benefit the poor, but that the gains are not guaranteed," said Hartwig de Haen, Assistant Director General of the FAO's Economic and Social Department. (Source: *Excelsior*, 5/18/04)

#### **COMPENSATION FOR MEXICO THROUGH A NAFTA IMPROVEMENT**

The NAFTA Agreement could be enhanced to benefit Mexico through the implementation of compensatory measures, like the exclusion of agricultural subsidies from the Agreement through global negotiation before the WTO and the dissolution of applied U.S. non-trade barriers, said U.S. and Mexican congressmen at the wrapping session of the 43rd International Parliamentary Meeting held in Guadalajara, Mexico. Among the most important measures agreed to are the reactivation of the Bank of Development of North America, the U.S. and Canadian support to Mexico's poor regions, the exclusion of nearly US\$18 billion

devoted to agricultural subsidies for U.S. farmers, modification of non-trade barriers within the U.S.-Mexico border area and the promotion of a Trilateral Parliamentary Meeting to strengthen the equal opportunity conditions between NAFTA partners. (Source: *El Universal*, 5/10/04)

### INSPECTIONS NEEDED AT MEXICAN BORDERS

According to a local newspaper, legislators from the agriculture and livestock committees note that due to the lack of investment and infrastructure at Mexican customs, contraband food products such as pineapples from Thailand, Chinese rice and fresh meat declared as frozen, among other products. The legislators say that Mexico only inspects 10 percent of the products entering Mexico from the United States on a random basis, thus affecting domestic agricultural products. (Source: *Reforma*, 5/25/04)

### A REQUEST FOR SIMILAR AGRICULTURAL POLICIES

Before the audience congregated at the World Forum on Agriculture, Mexico's National Farmers Confederation leader, Heladio Ramirez, demanded an agricultural policy for Latin America similar to the one enforced for the European Union and asked for punishment measures for countries that breach free trade agreements. Moreover, he proposed the integration of a U.S. and Canadian fund to harmonize the development of countries and ensure the viability of their rural producers. (Source: *El Universal*, 5/19/04)

### REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX4063	Weekly Highlights & Hot Bites, Issue #19	5/18/04
MX4064	Mexico Initiates Anti-Dumping Investigation Against U.S. Soy-Oil	5/21/04
MX4065	Tomato Semi-Annual Report	5/21/04

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